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SIPDIS

SENSITIVE

STATE FOR EB/CBA, EUR/CACEN, EUR/ACE

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SUBJECT: CORRUPTION HINDERS ARMENIA'S ENVIRONMENTAL POLICY

1. (U) Sensitive but unclassified. Please protect accordingly.

SUMMARY

2. (SBU) Armenia faces severe and continuing deforestation. Although the law prohibits commercial cutting, corruption and inefficacy in Hayantar, the state forestry agency, result in the continued illegal clear-cutting of Armenia's forests. While some cutting may be ascribed to allowable personal uses, a sizable percentage of deforestation, especially of valuable hardwoods, is attributable to corrupt deals between Hayantar, commercial interests and regional law enforcement. In addressing environmental challenges as in other areas, the Government of Armenia has not demonstrated the necessary political will or the ability to enforce the law and pursue its stated public policy. End Summary.

ARMENIA'S SHRINKING FORESTS

3. (SBU) Armenia's tree cover has shrunk significantly in the last century, and deforestation rates have accelerated since independence. According to NGOs and the GOAM, less than nine percent of Armenia is currently forested, twenty percent less than at the time of independence. Because intensive cutting is not accompanied by replanting, and because the older trees (which bear the most seeds) are also the most attractive sources of wood, forests are being logged beyond the point of sustainability. Clear-cutting has accelerated soil erosion, making it difficult to successfully cultivate anything, including new trees. At its most extreme, erosion has caused mudslides to bury homes and roads in villages near deforested slopes.

POVERTY STILL TAKES ITS TOLL

4. (SBU) The large-scale deforestation of the early 1990s is attributable to the energy crisis that forced many Armenians to burn any available fuel; stands of trees inside and near cities suffered particularly. According to the World Bank, Hayantar, and NGO sources, some cutting is still attributable to Armenians who are either unable or unwilling to pay for electrical or gas fuel, or live in areas not served by these utilities.

BUT ILLEGAL COMMERCIAL CUTTING LOOMS LARGER

5. (SBU) Illegal commercial cutting is currently more damaging to Armenia's forests than cutting for personal uses. Poor enforcement and corruption in Hayantar contribute to unsustainable commercial cutting of large areas of forest. Hayantar's director admitted to us that there is corruption in his ranks: recently Hayantar fired two employees for sanctioning illegal cutting in exchange for kickbacks. Hayantar has authority to issue licenses only for sanitary cutting -- the removal of fallen trees and the preemptive cutting and removal of sick trees that will soon fall naturally. In fact, sanitary cutting licenses operate as cartes blanches to clear entire stands of healthy forest. A local brandy company told us that its agreement with Hayantar limited only the total amount that it cut to make its barrels, and that Hayantar had no effective method of tracking of this amount.

NASCENT PRO-FORESTRY EFFORTS

6. (SBU) Investigative journalists and NGOs have been raising public awareness about the cutting of Armenia's forests. After NGO workers videotaped illegally cut stands, Hayantar fired local officials who had permitted the logging. President Kocharian made strong public statements

condemning commercial cutting, and changed the management of Hayantar. New customs regulations require a permit from Hayantar to export wood: total exports should be limited to the total amount of allowed sanitary cutting. Nonetheless, Armenia, a deforested country that bans commercial cutting, continues to be a net exporter of lumber despite double-digit growth in the domestic construction sector.

COMMENT: CORRUPTION TRUMPS POLICY

17. (SBU) In tackling deforestation the government has reached the point where it must decide if it is willing to challenge profitable enterprises owned by well-connected oligarchs. (Note: The main exporter of lumber, Harutyun Pambukyan, is one of Armenia's richest men and a Deputy of Parliament. End Note.) The trickle-up corruption of forbidding logging but sanctioning it in exchange for bribes benefits Armenia's major players more than would the legalization of commercial logging.
EVANS